



**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**[Docket No. FR-5627-N-03]**

**Notice of realignment/merger of Five Regional Audit Offices: Boston, Massachusetts will merge with New York, New York; and the Gulf Coast Region will merge with Atlanta, Georgia and Fort Worth, Texas**

**AGENCY:** Office of Inspector General, United States Department of Housing and Urban Development (HUD/OIG).

**ACTION:** Notice of reorganization: realignment of Five Regional Audit Offices: Boston, Massachusetts (Region 1) will merge with New York, New York (Region 2); and The Gulf Coast Region (Region 11) will merge with Atlanta, Georgia (Region 4) and Fort Worth, Texas (Region 6).

**SUMMARY:** This notice advises the public that the HUD/OIG Office of Audit plans to merge/reclassify its Boston, Massachusetts (Region 1) office with its New York, New York (Region 2) office; and merge its Gulf Coast Region (Region 11) office with its Atlanta, Georgia (Region 4) office and Fort Worth, Texas (Region 6) office. The planned reorganization is intended to:

1. Improve the alignment of limited audit resources, to promote more efficient responses to HUD or Congressional requests involving critical program issues;
2. Improve management control and effectiveness while improving the overall management structure; and
3. Deploy resources to address systemic concerns within HUD.

The HUD/OIG Office of Investigations has announced its own realignment/reorganization, which impacts region 11 as well. This notice also includes a cost-benefit analysis supporting the merger of these five audit regional offices into three audit regional offices.

**FOR FURTHER INFORMATION CONTACT:** Randy W. McGinnis, Assistant Inspector General for Audit, Department of Housing and Urban Development, 451 Seventh Street, SW,

Room 8274, Washington DC, 20410-4500, telephone 202-402-0364 (This is not a toll free number.) A telecommunication device for hearing and speech-impaired persons (TTY) is available at 800-877-8339 (Federal Relay Services). (This is a toll free number).

**SUPPLEMENTARY INFORMATION:** Section 7(p) of the Department of Housing and Urban Development Act (42 U.S.C. § 3535(p)) provides that:

A plan for reorganization, of any regional, area, insuring, or other field office of the Department of Housing and Urban Development may take effect only upon the expiration of 90 days after the publication in the Federal Register of a cost-benefit analysis of the effect of the plan on the office involved.

The required cost-benefit analysis must include: (1) an estimate of cost savings anticipated; (2) an estimate of the additional cost which will result from the reorganization; (3) a discussion of the impact on the local economy; and (4) an estimate of the effect of the reorganization on the availability, accessibility, and quality of services provided for recipients of those services.

Legislative history pertaining to section 7(p) indicates that not all reorganizations are subject to the requirements of section 7(p). Congress stated that “[t]his amendment is not intended to [apply] to or restrict the internal operations or organization of the Department (such as the establishment of new or combination of existing organization units within a field office, the duty stationing of employees in various locations to provide on-site service, or the establishment or closing, based on workload, of small, informal offices such as valuation stations).” (See House Conference Report No. 95-1792, October 14, 1978 at 58.) Although HUD/OIG believes that the legislative history of section 7(p) strongly suggests that the legislation is inapplicable to merger of regional offices that will in no way reduce the level of services provided to areas served by such offices, HUD/OIG nonetheless voluntarily publishes

the following the cost-benefit analysis of its plan.

## **COST-BENEFIT ANALYSIS:**

### **A. Background**

Since 2002, HUD/OIG staffing has declined from an average high of 730 full time equivalents (FTEs) to a current level of 650 FTEs. HUD OIG has a target level of 620 for the beginning of FY 2013. Simultaneous with this constriction of staff resources, HUD/OIG is contending with the onslaught of mortgage fraud issues and foreclosure issues associated with the collapse of the mortgage industry and the sub-prime market, examining and evaluating the implementation, execution and oversight of HUD's HOME program, the crippled economy and the impact that the economy has had on the foreclosure of HUD FHA insured loans. To more efficiently and effectively address HUD/OIG's core mission and at the same time become better prepared to respond to inevitable but unpredictable events, HUD/OIG plans to merge five regional audit offices into three regional audit offices, 90 days following the publication of this notice.

### **B. Description of Proposed Changes**

90 days following the publication of this notice, the HUD/OIG Office of Audit will merge its Region 1 Boston, Massachusetts office with its Region 2 New York, New York office. This one combined region can more effectively and efficiently serve the geographic area which it will cover while ultimately reducing costs. The New York office shall remain a regional office, the Boston office and its former field offices will become field offices of Region 2. HUD/OIG will also merge its Region 11 Gulf Coast office with its Region 4 Atlanta, Georgia office and its Region 6 Fort Worth, Texas office. The Gulf Coast regional staff located in Mississippi will be assigned to the Atlanta, Georgia region while its New Orleans, Louisiana based staff will be

assigned to region 6 in Ft. Worth, Texas. Region 11, which was created in response to the natural disasters that struck this area, will no longer exist as a separate region, and its states of responsibility will revert back to the regions that historically oversaw them. All other existing regional and field office jurisdictional boundaries will be unchanged. HUD/OIG Office of Investigations is undergoing a similar reorganization the details of which are begin filed in the Federal Register at the same time as this notice. Additionally, the Office of Audit's headquarters organization will not be affected by this realignment.

Like all HUD/OIG Office of Audit regional offices, the merged regions are managed by a GS-15 Regional Inspector General for Audit (RIGA). Those RIGAs now assigned to regions that are being merged into other regions will be assigned as Deputy RIGAs (with no reduction in grade) to the appropriate regional office. Of note, there will be some attrition in this realignment and some positions will therefore be eliminated.

### **C. Costs Versus Benefits**

#### **1. One-time costs:**

- (a) *Personnel relocation cost (\$0)*. It is anticipated that there may be one personnel relocation associated with this reorganization.
- (b) *Severance or unemployment compensation costs (\$0)*. No severance costs are associated with this initiative as it does not contemplate the termination of any staff.
- (c) *Purchase/movement of furniture and equipment (\$0)*. Each of the offices that are being evaluated for merger already exist and are fully equipped. Additionally, the proposal does not contemplate the creation of new field offices or an increase in overall FTEs. Thus, no purchase or movement of furniture or equipment is involved.
- (c) *Space alteration costs (de minimus)*. Some offices may require space alterations and

telephone changes to accommodate any future changes of assigned staff. However, HUD/OIG estimates that any space alteration costs that result will be minimal because HUD/OIG has implemented and encourages teleworking. Further, hoteling is an option available to HUD/OIG.

No additional or supplemental funding is expected to the current appropriated budget.

All costs will be maintained within the current budget.

## **2. Permanent increases in operating costs:**

The realignment will not result in any increase in operating costs.

No additional or supplemental funding is expected.

## **3. Dollar savings resulting from realignment of offices:**

*Personnel Cost Savings.* The realignment alone will ultimately result in the elimination of 2 GS 15 positions, with an annual savings in excess of \$300,000.00 per year.

## **D. Impact on Local Economies**

The planned merger of the five regional audit offices into three regional audit offices is not expected to have any impact on the local economies of Boston, Massachusetts; New York, New York; Atlanta, Georgia; Fort Worth Texas, or the Gulf Coast region. The merger does not involve terminating existing real estate leases prior to their expiration date, nor does it involve leasing addition real estate. Moreover, the plan does not contemplate appreciable relocation of staff to these metropolitan areas. Thus, any impact on the local economies in terms of housing, schools, public services, taxes, employment, and traffic congestion will be non-existent or insignificant at most.

## **E. Effect of the Reclassifications on the Availability, Accessibility, and Quality of Services Provided for Recipients of Those Services.**

The plan was designed to improve the quality and level of service provided to stakeholders and affected clients nationwide. The regions will receive greater management emphasis than prior to the reclassification. Management will be enabled to interact with HUD management and clients more frequently and in greater scope than is now possible. More interaction and attention translates into more availability and accessibility of higher quality services.

Date March 13, 2012

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David A. Montoya, Inspector General

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